

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS:

VIRGINIA GAS EXPLORATION COMPANY)
f/k/a Virginia Gas Company ("Unit Operator") and) VIRGINIA GAS AND
BENNIE D. HILL, KATHY HILL BALLARD,) OIL BOARD
JANICE HILL O'QUINN, TERRY W. HILL, and)
DANNY MORRIS HILL, being the Heirs of Corbett)
Hill (herein "Heirs")) VGOB DOCKET NO.
92-0317-0205

RELIEF SOUGHT:

Issuance of an Amended Supplemental)
Order to Amend the Prior Pooling Order)
Affecting the Conventional Gas Drilling Unit Served)
By Well EH-65 ("Subject Drilling Unit") and)
to Provide for the Disbursement to the Heirs of)
Funds on Deposit in the Board's Escrow Account)
For Subject Drilling Unit Which Are Attributable)
to Their Respective Gas Interest)

REPORT OF THE BOARD
FINDINGS AND ORDER

1. **Hearing Date and Place:** This matter came on for hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on March 21, 2000 at the Southwest Virginia Higher Education Center, Campus of Highlands Community College, Room 240, Abingdon, VA.
2. **Appearances:** James E. Talkington, III appeared to testify on behalf of the Unit Operator; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction and Notice:** Pursuant to Va. Code §§ 45.1-361.1 *et seq.*, and in particular Va. Code §§ 45.1-361.21.D., the Board finds that it has jurisdiction over the establishment and maintenance of escrow accounts for conventional gas drilling units established by the Board through its pooling orders to hold the share of proceeds attributable to the Gas interests of any unknown and/or unlocatable lessor. Further, in the event any such unknown or unlocatable lessor becomes known and/or located within the time established by Va. Code § 45.1-361.21.D, the Board finds that it has the jurisdiction to disburse to said lessor those funds on deposit in the escrow account which are attributable to their Gas interest.
4. **Prior Proceedings:**
 - 4.1. By order entered November 19, 1992 and filed with the Clerk of the Circuit Court of Dickenson County, VA on November 19, 1992 at Deed Book 287 at Page 500 ("Pooling Order"), the Board pooled the conventional gas interests in the Subject Drilling Unit.
 - 4.2. The Board entered its Supplemental Order Regarding Elections on January 3, 1994 and it was filed with the Clerk's office on January 6, 1994 at Deed Book 297 at Page 432 (hereinafter the Pooling Order and the Supplemental Order are collectively referred to as "Pooling Order").
 - 4.3. The Pooling Order reflects that the Heirs were unknown and unlocatable lessors of gas interests in the Subject Drilling Unit. Pursuant to Va. Code § 45.1-361.21, lessor proceeds attributable to the interests of each of the Heirs were ordered deposited by the Unit Operator

into an escrow account established by the Pooling Order and held for the benefit of said Heirs ("Escrow Account").

- 4.4. The Board's Escrow Agent established the Escrow Account, and thereafter the Escrow Agent periodically received from the Unit Operator for deposit into the Escrow Account the Heirs' lessor proceeds attributable to the Heirs' Gas interests in Subject Drilling Unit.
- 4.5. The Unit Operator filed with the Board an Amended Affidavit Regarding Elections, Escrow and Supplemental Order dated September 19, 1994 seeking to amend the exhibits attached to the Pooling Order to reflect that some of the heirs of Nancy Hill, deceased, had been identified and located. By order entered December 29, 1994 and filed with the Clerk on January 17, 1995 at Deed Book 306 at Page 272 the Board amended the Supplemental Order to reflect, the identities and locations of those heirs of Nancy Hill who had been identified and located and ordered the Escrow Agent to disburse to them the lessor proceeds being held in the Escrow Account which were attributable to their interests ("Amended Supplemental Order").
- 4.6. The Unit Operator filed with the Board a second Amended Affidavit Regarding Elections, Escrow and Supplemental Order dated September 20, 1999 seeking to amend the exhibits attached to the Pooling Order and the Amended Supplemental Order to reflect that, with the exception of the Corbett Hill Heirs, all heirs of Nancy Hill had been identified and located. By order entered November 2, 1999 the Board amended the Pooling Order and Amended Supplemental Order to reflect, with the exception of the Corbett Hill Heirs, the identities and locations of all heirs of Nancy Hill and ordered the Escrow Agent to disburse to the newly discovered heirs the lessor proceeds being held in the Escrow Account which were attributable to their interests ("Second Amended Supplemental Order").
- 4.7. The Unit Operator filed with the Board a third Amended Affidavit Regarding Elections, Escrow and Supplemental Order dated January 26, 2000 ("Third Amended Affidavit"), the original of which is attached hereto and made a part hereof, in which the Unit Operator provides an accounting of those lessor proceeds it placed on deposit in the Escrow Account that are attributable to the interests of each of the Heirs, and the Unit Operator sought the Board's entry of this Order to: (1) amend the exhibits attached to the Pooling Order and the Second Amended Supplemental Order to reflect the names and addresses of the Heirs; (2) to disburse to each Heir the funds on deposit in the Escrow Account which are attributable to their respective interest; (3) closure of the Escrow Account; and (4) authority for the Unit Operator to make future payments of lessor proceeds due each Heir directly to them as their interests appear.
- 4.8. On its own motion, the Board set the Third Amended Affidavit for hearing on March 21, 2000. The Board gave notice of said hearing to the Heirs, the Unit Operator and the Escrow Agent.
5. **Findings:** According to the Pooling Order, the Second Amended Supplemental Order, the Third Amended Affidavit, and testimony given by the Unit Operator at the hearing of this matter, the Board finds that: (1) the lessor proceeds remaining on deposit in the Escrow Account for Subject Drilling Unit constitute those lessor proceeds due the Heirs as quantified in the Third Amended Affidavit and in Paragraph 6 below; (2) each Heir is entitled to receive lessor proceeds that are attributable to his Gas interest, together with interest that accrued while said funds were on deposit and less escrow fees allocable thereto; and (3) after the disbursement of the lessor proceeds to the Heirs, there will be no further need for the Escrow Account.
6. **Relief Granted:** For the reasons set forth in Paragraph 5 above:
 - 6.1 The Affidavits attached to the Pooling Order and the Second Amended Supplemental Order are deleted in toto and replaced with the Amended Affidavit.

6.2 As set forth in the Third Amended Affidavit, the Escrow Agent is ordered to disburse to each of the Heirs, via check, the lessor proceeds which are on deposit in the Escrow Account, together with any interests accruing thereon and less any escrow fees allocable thereto as follows:

Bennie D. Hill, Route 1, Box 115, Vansant, VA 24656	\$13.68
Kathy Hill Ballard, 3248 Wyndale Court, Woodbridge, VA 22192	\$13.68
Janice Hill O'Quinn, Route 2, Box 436, Haysi, VA 24256	\$13.68
Terry W. Hill, P. O. Box 23, Big Rick, VA 24603	\$13.68
Danny Morris Hill, P. O. Box 2527, Lebanon, VA 24266	\$13.68

6.3 After the disbursement to the Heirs of all funds on deposit in the Escrow Account, the Escrow Agent is authorized to close said account.

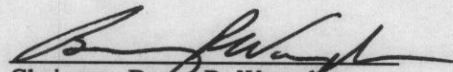
6.4 Hereafter the Unit Operator is authorized to pay directly to each Heir their lessor proceeds as their interests appear.

7. **Conclusion:** Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and IT IS SO ORDERED.

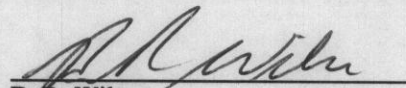
8. **Appeals:** Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

9. **Effective Date:** This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 14th day of April, 2000, by a majority of the Virginia Gas and Oil Board.

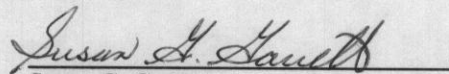

Chairman, Benny R. Wampler

DONE AND PERFORMED this 19th day of April, 2000, by Order of this Board.


B. R. Wilson
Principal Executive to the Staff
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA)
COUNTY OF WISE)

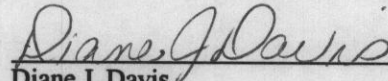
Acknowledged on this 14th day of April, 2000, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My Commission expires: July 31, 2002

COMMONWEALTH OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 19th day of April, 2000, personally before me a notary public in and for the Commonwealth of Virginia, appeared B. R. Wilson, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Diane J. Davis
Notary Public

My commission expires: September 30, 2001

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Edwards and Harding Petroleum Company (now Virginia Gas Exploration Company) for Forced Pooling of Interests in Unit Number EH-65, VGOB Docket No. VGOB-92/0317-0205 in the Willis District of Dickenson County, Virginia

AFFIDAVIT OF Edwards and Harding Petroleum Company (now Virginia Gas Exploration Company) (herein "Designated Operator") REGARDING ELECTIONS, ESCROW AND SUPPLEMENTAL ORDER

James E. Talkington, III (herein Affiant), being first duly sworn on oath, deposes and says:

1. That your Affiant is employed by Virginia Gas Exploration Company, the Designated Operator, at its office located at 200 East Main Street, Abingdon, Virginia 21210, that your Affiant is the Designated Operator's Vice President, and is authorized to give this Affidavit in its behalf;
2. That the Order entered on November 19, 1992, by the Virginia Gas and Oil Board regarding the captioned conventional Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by said Order;
3. That within seven (7) days of the receipt of an executed copy of the Order referred to at Paragraph 2. above, your Affiant caused a true and correct copy of said Order to be mailed via the United States Postal Service to each Respondent named in the captioned Application, whose address was known, and to all persons, if any, who were added as Respondents at the hearing held in the captioned matter; that annexed hereto and incorporated herein are copies of the letters of transmittal, receipts for certified mail, and return receipts pertaining to said mailing;
4. That the Order of the Virginia Gas and Oil Board in the captioned matter required all persons pooled thereby to tender their written elections to the Unit Operator within thirty (30) days of the date said Order was recorded in the county above named; that said Order was recorded on November 19, 1992.
5. That the Designated Operator, Edwards and Harding Petroleum Company (now Virginia Gas Exploration Company) has established procedures to review all mail received and all written documents received by means other than by mail to ascertain whether parties whose interests have been pooled have made a written election, in a timely fashion, as required by the captioned Order; that said procedures were followed to identify the elections, if any, made with regard to Subject Unit; that the following persons delivered, by mail or otherwise, written elections to the Unit Operator, within the thirty day election period:

None.

6. That the interests and/or claims of the following persons (who made timely elections, or who are deemed under the terms of the Board's Order to have leased, or who, subsequent to the pooling hearing held in the captioned matter, have leased or otherwise entered into an agreement with the Designated Operator) are subject to escrow under the Board's Order pooling the captioned Unit, Board Regulations and the Code of Virginia; that opposite the name of each person named as a Respondent listed below is set forth:

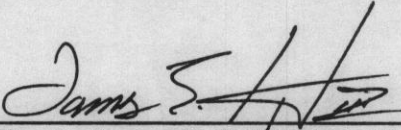
See Attached EXHIBIT "B"

7. That after the pooling hearing held in the captioned matter, the following persons have leased or entered into a voluntary agreement with the Designated Operator with regard to their interests and/or claims which are not subject to escrow and should, therefore, be dismissed as Respondents:

None

8. That pursuant to the provisions of VR 480-05-22.27.C and VR 480-05-22.2.8, annexed hereto and incorporated herein is a proposed supplemental order to be entered to complete the record regarding elections; that said annexed supplemental order sets forth and identifies the conflicting claims and/or interests which require escrow of funds pursuant to the terms of §§ 45.1-361.21.D, 45.1-361.22.A.3 and 4.;

Dated at Abingdon, Virginia, this 26th day of January, 2000.


Affiant: James E. Talkington, III

Taken, subscribed and sworn to before me by James E. Talkington, III, the Vice President of Virginia Gas Exploration Company, a corporation, on behalf of the corporation, this 26th day of January, 2000


Notary SHARMAN S. STORMS

My commission expires: FEB. 28, 2000

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CORBETT HILL ESTATE
(EH-65 -- Nancy Wood Hill Heirs)
EXHIBIT "B"

<u>Name & Address</u>	<u>Lease Status</u>	<u>Interest</u>	<u>Interest Within Unit</u>	<u>Gross Acreage in Unit</u>	<u>Net Revenue Interest</u>	<u>Escrow Amount Due</u>
Bennie D. Hill Route 1, Box 115 Vansant, VA 24656	unleased	0.00357	0.000421617	0.052980392	0.006622549	13.68
Kathy Hill Ballard 3248 Wyndale Court Woodbridge, VA 22192 Ph: 703-670-4075	unleased	0.00357	0.000421617	0.052980392	0.006622549	13.68
Janice Hill O'Quinn Route 2, Box 436 Haysi, VA 24256	unleased	0.00357	0.000421617	0.052980392	0.006622549	13.68
Terry W. Hill P.O. Box 23 Big Rick, VA 24603	unleased	0.00357	0.000421617	0.052980392	0.006622549	13.68
Danny Morris Hill P.O. Box 2527 Lebanon, VA 24266 Ph: 540-880-2314	unleased	0.00357	0.000421617	0.052980392	0.006622549	13.68
						68.40

First Union National Bank
Employee Shareholder Services
PA1328
123 South Broad Street
Philadelphia, Pennsylvania 19109

**FIRST
UNION**

March 20, 2000

Mr. Jim Tarkenton
Virginia Gas
PO Box 2407
Abingdon, VA 24214

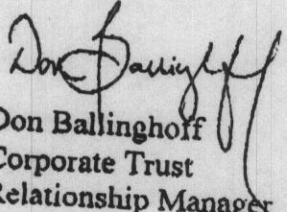
Re: VGOB# 92-0317-0205

Dear Mr. Tarkenton:

Pursuant to our conversation today, the balance for the above referenced Escrow is \$77.60.

If you have any questions, please feel free to contact me at (215) 985-3485.

Sincerely,


Don Ballinghoff
Corporate Trust
Relationship Manager

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY, 4/21, 2000. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 1:57 o'clock P-M, after payment of \$ tax imposed by Sec. 58.1-802.

Original returned this date to: Diane Davis

TESTE: JOE TATE, CLERK
BY Samuel C. Clark D. CLERK

COMMONWEALTH OF VIRGINIA



OFFICIAL RECEIPT
DICKENSON CIRCUIT COURT
DEED RECEIPT

DATE: 04/21/00 TIME: 13:57:19 ACCOUNT: 051CLR000000595 RECEIPT: 00000001912
 CASHIER: SDE REG: DK06 TYPE: OTH PAYMENT: FULL PAYMENT
 INSTRUMENT : 0000000595 BOOK: 354 PAGE: 150 RECORDED: 04/21/00 AT 13:57
 GRANTOR NAME : VIRGINIA GAS & OIL BOARD EX: N LOCALITY: CO
 GRANTEE NAME : HILL, BENNIE D & ET AL EX: N PERCENT: 100%
 AND ADDRESS :
 RECEIVED OF : DEPT OF MINES, MINERALS & ENER DATE OF DEED: 04/14/00
 CHECK : \$13.00
 DESCRIPTION 1: REPORT OF THE BOARD/FINDINGS & ORDER
 2: WELL NO. EH-65
 CONSIDERATION: .00 ASSUME/VAL: .00 MAP:
 CODE DESCRIPTION PAID CODE DESCRIPTION PAID
 201 DEEDS 17.00 145 VSLF 1.00
 TENDERED : 13.00
 AMOUNT PAID: 13.00
 CHANGE AMT : .00

CLERK OF COURT: JOE TATE